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Senate

NATIONAL LABORATORIES PARTNERSHIP IMPROVEMENT ACT OF 2001

Mr. CARPER. Senator Collins of Maine joins me in offering this amendment.

Mr. President, the issue that is before us involves cogenerating facilities which create both heat and power. They are highly efficient and environmentally attractive. They exist in almost all of our States. Unfortunately, section 244 of the Senate energy bill before us would eliminate the provisions in current law which support both existing combined heat and power generating systems and new ones that are being developed. I believe that until competitive conditions in electricity markets make these existing requirements unnecessary, the changes that are incorporated in this bill are premature.

Today, combined heat and power plants, which typically produce electricity and deliver steam used for manufacturing purposes, produce about 7 percent of our Nation's electricity. Combined heat and power facilities are, on average, twice as fuel efficient as conventional utility plants and thus produce about half the emissions of conventional utility plants.

The U.S. Department of Energy and our Environmental Protection Agency have set the goal of doubling the Nation's capacity from combined heat and power facilities by 2010. Section 244 of the Senate energy bill runs counter to this goal by repealing, perhaps inadvertently, statutory support for existing and new combined heat and power generating facilities.

Under existing law, section 210 of PURPA, the Public Utility Regulatory Policies Act, has, since 1978, required electric utilities to purchase electricity generated by so-called qualifying facilities--which includes cogenerators and renewable energy facilities--at the utility's ``avoided cost.'' ``Avoided cost'' is the cost the utility would have paid to generate the same electricity itself or to purchase it elsewhere. PURPA also requires electric utilities to sell qualifying facilities backup power at just and reasonable rates and without discrimination.

So under current law, under PURPA, these qualifying facilities, cogenerating facilities, are permitted to sell the power that they create at a price that is agreed to at the utility's avoided cost. Also, they have the ability to purchase electricity power as it is needed at a reasonable rate and without discrimination. That is current law. They would lose that ability under the language of the bill that is before us. We do not want them to lose that ability.

Section 244 of the bill would terminate the obligation of electric utilities, under PURPA, to enter into new contracts to either purchase electric energy from these qualifying facilities or to sell electricity to new qualifying facilities.

Some would argue that these PURPA requirements are no longer needed because electricity markets are competitive. In many cases, however, electricity markets are not

competitive. I realize in a number of markets they are. Delaware is among them. But in a number of other markets, electricity is not competitive, and these qualifying facilities do not have access to competitive options for buying or selling electricity.

The existing PURPA protections should not be lifted, in my judgment, and that of Senator Collins' and our other cosponsors' judgment, until competitive electricity markets are found to render these protections no longer necessary.

The amendment that Senator Collins and I offer today would modify section 244 of the bill before us by conditioning the termination of the PURPA obligation for utilities to buy electricity from these qualifying facilities on a finding by the Federal Energy Regulatory Commission, FERC, that the qualifying facility has access to an independent, competitive, wholesale market for the sale of electricity. A FERC finding of a competitive wholesale market assures that there will be real opportunities for a qualifying facility to sell its electrical output, including intermittent power, at a competitive price.

This amendment would also modify section 244 in this bill to clarify that the termination of a utility's obligation to sell backup power to a qualifying facility under PURPA is conditioned on the qualifying facility having the ability to purchase backup power from competing retail electricity suppliers. Until a cogenerator can shop for backup power from competing suppliers, it is critical to maintain the current PURPA obligation for the local utility to sell backup power at just and reasonable rates and without discrimination.

Let me say, in conclusion, I support reform of PURPA, but I do not think we should do it in a way that runs contrary to our other goals of generating efficient electricity and developing competitive markets. This amendment does just that. I urge my colleagues to join us in support of the amendment.